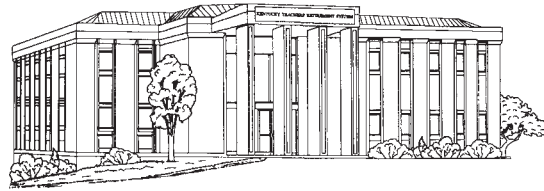


# KTRS NEWSLETTER

TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF KENTUCKY

ACTIVE MEMBER EDITION  
October/November 2004



## Medical Insurance Funding Formula Changed by Legislative Action - Allows KTRS to Request Necessary Appropriations

### WHAT'S INSIDE!

Medical  
Insurance  
Funding  
Formula  
Changed



The Positive  
Impact of  
KTRS



Do you have  
Out-of-State  
Teaching,  
Peace Corps  
or Federal  
Head Start  
Service?



Harbin  
Elected to  
NCTR  
Position



Mid-Career  
Workshop  
Schedule



Pre-  
Retirement  
Seminar  
Schedule



KAPT is  
BACK!

A significant change occurred for the KTRS medical insurance fund during the 2004 Regular Session of the General Assembly that adjourned April 15. House Bill 434 (HB 434) permanently alters the funding mechanism for the retired teachers' medical insurance fund. The legislation received broad bi-partisan support and was signed into law by the Governor.

Previously, the health insurance program for retired teachers was a pay-as-you-go plan, with medical payments paid from a combination of contributions from active teachers and an allocation from the state budget. The new funding structure allows the KTRS Board of Trustees to statutorily request the necessary funds to sustain medical benefits for our retirees. The System's actuary on a biennial basis will determine the amount of funding requested of the General Assembly. Although the General Assembly and Governor changed the funding formula in the 2004 session, the amount of funding requested for the 2004-2005 and 2005-2006 fiscal years was not appropriated.

The KTRS medical insurance program, created in 1964, coincided with the development of the Medicare Supplement for Social Security participants. The funding structure for the KTRS medical insurance program

had not been changed since 1986, although costs for medical expenses and services have risen dramatically. The change in the funding mechanism will ensure that retired teachers have access to the same benefits as retired public employees only to the extent that the General Assembly appropriates the funding requested by KTRS.

The KTRS medical insurance program is divided into two plans. The first plan is for retired educators under age 65 who are a part of the State Group Health Plan. The policy for this plan is procured by the Finance Cabinet through a combination of negotiation and bids. The second plan is for retired educators age 65 and over who are a part of the self-funded, Medicare Eligible Health Plan administered by KTRS. Both plans are financially supported by the KTRS medical insurance fund.

During the recently adjourned 2004 Extraordinary Legislative Session, legislators considered future funding needs of HB 434. KTRS staff members will work to inform legislators of the importance of the full funding of this legislation during the 2005 Regular Session of the General Assembly, which convenes in January. You can help by contacting your Legislators and requesting their support for full funding of medical benefits for retired educators provided by HB 434.



## THE POSITIVE IMPACT OF KTRS ON THE LOCAL & STATE ECONOMY

### "Retirement System Supports Local School Districts"

*This is the second in a series of articles that will explore and highlight the value of KTRS to Kentucky's communities, schools and educators.*

The Kentucky Teachers' Retirement System provides support to local school districts in several ways. First, the retirement benefit serves as an important incentive in attracting and retaining quality teachers, many of whom are not compensated at the same level as other professionals. The prospect of a guaranteed lifetime annuity earned by career teachers is an attractive employee benefit.

Secondly, when career teachers are replaced with entry-level teachers, there is a tremendous financial savings to the local school district. Since the annual salary difference between a career teacher and an entry-level teacher is approximately \$20,000, local school district payrolls are reduced. Currently, significant numbers of educators (approximately 1 in 5) are eligible to retire. When these educators do retire and are replaced, the savings to the district in payroll costs could exceed \$250 million dollars per year.

A third level of support is realized when a career teacher realizes that retirement is an attractive prospect due to reduced effectiveness in the classroom or a loss of interest and desire to remain in teaching. When this occurs, the existence of a guaranteed retirement program allows both the teacher and local school district to address priorities directly without instituting special policies to accommodate the financial welfare of teachers who desire to retire.

Finally, local school districts contribute the employer's portion of Social Security withholding on the wages of classified personnel. However, since teachers are not subject to the Social Security Act, employers are not required to make this contribution on their wages. On a state-wide basis, if members of the Teachers' Retirement System were subject to the Social Security Act, payroll costs, due to the employer's portion of Social Security withholding, would rise by \$360 million per year if local school districts maintained the same levels of take-home pay for their teachers.

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### \* \* \* ATTENTION \* \* \*

### **Do you have Out-of-State Teaching, Peace Corps or Federal Head Start Service?**

The formula for purchasing out-of-state teaching and Peace Corps service will change to full actuarial cost effective July 1, 2005. Federal Head Start service, now purchasable only under the current out-of-state teaching service formula, will also change to full actuarial cost effective July 1, 2005. These changes will make the cost of purchasing these types of service more expensive for some members, and less expensive for others. If you have out-of-state teaching, Peace Corps or federal Head Start service, you may wish to contact the retirement

system to compare the cost under the current formula with the full actuarial cost formula. Remember, in-service transfers of tax-deferred monies cannot be used to purchase service credit that is purchasable at less than full actuarial cost. This could be an important factor in determining when you want to purchase your out-of-state teaching, Peace Corps or federal Head Start service. Contact KTRS for details.

## Harbin Elected to National Council on Teacher Retirement Executive Committee

Gary L. Harbin, Executive Secretary of the Kentucky Teachers' Retirement System (KTRS), was recently elected to serve on the Executive Committee of the National Council on Teacher Retirement (NCTR).

NCTR is a national, nonprofit organization whose mission is to promote effective governance and

benefits administration in state and local public pension systems in order that adequate and secure retirement benefits are provided to educators and other plan participants. NCTR membership includes 77 state, territorial, local and university pension systems with combined assets in excess of \$1.4 trillion, serving more than 16 million active and retired teachers, non-teaching personnel and other public employees.

Harbin, a certified public accountant, has more than 30 years of auditing and management experience in retirement systems and was named KTRS Executive Secretary in December 2000.

### KENTUCKY TEACHERS' RETIREMENT SYSTEM MID-CAREER PLANNING WORKSHOPS

#### REGISTRATION

**5:30 P.M. - 5:40 P.M. (Local Time)**

#### SEMINAR

**5:40 P.M. - 8:30 P.M. (Local Time)**

#### December 7, 2004

Holiday Inn  
Mahogany Room  
1058 N. Mulberry Street  
Elizabethtown, KY

#### December 13, 2004

Daviess County  
Board of Education  
Central Office Board Rm  
1622 Southeastern Parkway  
Owensboro, KY

#### January 10, 2005

Holiday Inn - North  
Ballroom  
1950 Newtown Pike  
Lexington, KY

#### January 31, 2005

Ramada Inn  
Oak Room  
1698 Flemingsburg Rd  
Morehead, KY

### KENTUCKY TEACHERS' RETIREMENT SYSTEM

## PRE-RETIREMENT SEMINARS

#### REGISTRATION

**9:00 A.M. - 9:15 A.M.**  
(Local Time)

#### SEMINAR

**9:15 A.M. - 1:00 P.M.**  
(Local Time)

You are invited to attend if you are minimum one year to five years maximum from retirement.

#### November 6, 2004

Jenny Wiley SRP  
Wilkinson/Stumbo  
Conference Center  
75 Theatre Court  
Prestonsburg, KY

#### November 20, 2004

Pine Mountain SRP  
C. V. Convention Center  
1050 State Park Road  
Pineville, KY

#### December 4, 2004

Blue Licks Battlefield  
Lodge Lower Level  
Meeting Room  
US 68  
10299 Maysville Road  
Carlisle, KY

#### December 18, 2004

Lexington Community  
College  
215 Oswald Bldg.  
Cooper Drive  
Lexington, KY

#### January 22, 2005

Jefferson County  
School  
Southern High School  
8620 Preston Highway  
Louisville, KY

*Please feel free to bring a snack to have during the seminar.*

### KTRS SEMINAR OR WORKSHOP PRE-REGISTRATION FORM

Pre-registration for all seminars is **NECESSARY** and offered on a first come, first served basis. Individual retirement estimates will **NOT** be available at these workshops/seminars. **Return this pre-registration form to KTRS or pre-register on-line at: [www.ktrs.ky.gov](http://www.ktrs.ky.gov)**

This Pre-Registration is for:

☐

Mid-Career  
Workshop

or

☐

Pre-Retirement  
Seminar

Name \_\_\_\_\_ Social Security Number \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Address \_\_\_\_\_

City/State \_\_\_\_\_ ZIP Code \_\_\_\_\_

Name of Employer \_\_\_\_\_

Home Phone: (\_\_\_\_\_) \_\_\_\_\_ Work Phone: (\_\_\_\_\_) \_\_\_\_\_

Date of Workshop attending: \_\_\_\_\_ City of Workshop attending: \_\_\_\_\_

**\*\* Guests are welcome if seating is available. Priority is given to KTRS Members\*\***

*Please return completed registration form to: KTRS • 479 Versailles Road • Frankfort, KY 40601-3800*

## Kentucky's Affordable Prepaid Tuition is BACK!

With today's bad news of tuition increases, paying for college may seem out of reach. But there is good news—KAPT is back!

Kentucky's Affordable Prepaid Tuition (KAPT) reopened for enrollment on August 23. KAPT helps make it easier for Kentucky families to afford a college education by guaranteeing the cost of tomorrow's tuition at lower prices today. Parents, grandparents, and others can prepay tuition in a lump sum or in monthly payments. KAPT offers several tuition plans and payment options; and funds can be used at any eligible higher education institution, public or private, anywhere in the country. Plus, earnings are exempt from state and federal taxes.

"We are excited to reopen KAPT for enrollment," said Jo Carole Ellis, KAPT's Executive Director. "This is a great opportunity for families to plan and pay for tuition costs while saving money and getting some great tax benefits. Enrollment ends December 13, so don't miss the deadline and miss out on this year's prices."

KAPT is administered by the Kentucky Higher Education Assistance Authority (KHEAA), the state government agency that administers need-based grants, Kentucky Educational Excellence Scholarships (KEES), work-study, savings, and loan programs to help pay for higher education.

For more information on enrolling in KAPT, visit [www.getkapt.com](http://www.getkapt.com) or call 1-888-919-KAPT.

OCT/NOV 04



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